

# Fiscal Note

State of Alaska  
2022 Legislative Session

Bill Version:	SCS HB 90(TRA)
Fiscal Note Number:	5
(S) Publish Date:	5/4/2022

Identifier: HB090AM(EFD FLD)-DOR-TAX-3-25-22  
Title: VEHICLE RENTALS & VEHICLE RENTAL NETWORKS  
Sponsor: WOOL  
Requester: (S) Transportation

Department: Department of Revenue  
Appropriation: Taxation and Treasury  
Allocation: Tax Division  
OMB Component Number: 2476

## Expenditures/Revenues

Note: Amounts do not include inflation unless otherwise noted below.

(Thousands of Dollars)

	FY2023 Appropriation Requested	Included in Governor's FY2023 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	FY 2023	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants & Benefits							
Miscellaneous							
<b>Total Operating</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

## Fund Source (Operating Only)

None							
<b>Total</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

## Positions

Full-time							
Part-time							
Temporary							

## Change in Revenues

None	***		***	***	***	***	***
<b>Total</b>	<b>***</b>	<b>0.0</b>	<b>***</b>	<b>***</b>	<b>***</b>	<b>***</b>	<b>***</b>

**Estimated SUPPLEMENTAL (FY2022) cost:** 0.0 (separate supplemental appropriation required)

**Estimated CAPITAL (FY2023) cost:** 0.0 (separate capital appropriation required)

**Does the bill create or modify a new fund or account?** No  
(Supplemental/Capital/New Fund - discuss reasons and fund source(s) in analysis section)

## ASSOCIATED REGULATIONS

Does the bill direct, or will the bill result in, regulation changes adopted by your agency? Yes  
If yes, by what date are the regulations to be adopted, amended or repealed? 07/31/22

## Why this fiscal note differs from previous version/comments:

Updated to include House amendments to the bill that created two separate passenger vehicle rental tax rates for "vehicle rental businesses" and "vehicle rental individuals", and dropped the effective date provision. Updated fund code to reflect indeterminate revenue impact to the Vehicle Rental Tax account in the General Fund.

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Agency: Department of Revenue

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Date: 03/25/2022 04:30 PM  
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## FISCAL NOTE ANALYSIS

STATE OF ALASKA  
2022 LEGISLATIVE SESSION

## Analysis

**Background**

Under AS 43.52, Alaska currently imposes an excise tax on the lease or rental of passenger and recreational vehicles in the state if the lease or rental of the vehicle does not exceed 90 consecutive days. The rate of the tax for passenger vehicles is 10% of the total fees and costs charged for the lease or rental of the passenger vehicle. The rate of the tax for recreational vehicles is 3% of the total fees and costs charged for the lease or rental of the recreational vehicle. Current statutes provide a limited ability to enforce the tax on private vehicle rentals.

This bill would create two separate passenger vehicle rental tax rates for “vehicle rental businesses” and “vehicle rental individuals”. “Vehicle rental businesses” would be subject to a 10% tax on total fees and costs charged for the lease or rental of a passenger vehicle. “Vehicle rental individuals” would be subject to an 8% tax on total fees and costs charged for the lease or rental of a passenger vehicle. The bill defines “vehicle rental business” as a person who (A) engages in the business of renting a vehicle in the state, or through a vehicle rental network, arranging or executing a vehicle rental in the state, and (B) rents four or more vehicles in the state. The bill defines “vehicle rental individual” as a person who (A) engages in the business of renting a vehicle in the state, or through a vehicle rental network, arranging or executing a vehicle rental in the state, and (B) rents three or fewer vehicles in the state.

Persons who provide the leased or rented vehicle, or vehicle rental businesses or vehicle rental individuals that arranged or executed the rental through the vehicle rental network would be responsible for collecting the tax and remitting it to the Department of Revenue (Department). The bill sponsor's intent is for the online or virtual peer-to-peer vehicle rental platforms to collect and remit the tax.

This bill may have the effect of expanding the taxpayer base of the vehicle rental tax and bringing additional revenue into the general fund which is classified as Designated General Fund (DGF) revenue.

The provisions of this bill would take effect 90 days after the bill is signed into law since this bill does not provide for an effective date. For purposes of this bill, it is assumed the bill would become effective on August 1, 2022.

**Revenue Impact**

The revenue impact of this bill is indeterminate as the Department has limited data on peer-to-peer rentals in Alaska and would need to make many assumptions to come up with an estimated revenue impact. The Department has collected an average of \$10.9 million in vehicle rental taxes over the past four years. In FY2019, the revenue from the vehicle rental tax was \$11.4 million. In FY2020, the revenue from the vehicle rental tax was \$9.7 million. In FY2021, the revenue from the vehicle rental tax was \$7.9 million. This bill may expand the taxpayer base of the tax and, therefore, would likely have a positive effect on revenue.

**Implementation Cost**

This bill changes the passenger vehicle tax rates, creates two separate classes of people who rent passenger vehicles, and expands the tax base. However, this bill would not require the Department to make significant changes to its Tax Revenue Management System (TRMS). Therefore, there would be no cost to the Department for implementation. Additional review and audit work would be absorbed by existing staff.